

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 IO-13 L-03 H-01 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02 AID-05

EB-08 NSC-05 SS-15 STR-04 OMB-01 CEA-01 COME-00

FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 /094 W

-----140741Z 020241 /20

P 140642Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7058

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 3691

USADB

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 3/14/79

TAGS: EAID, EFIN

SUBJECT: QUESTION FROM HOUSE SUBCOMMITTEE HEARINGS: PART I

REF: TREASURY 77-23

ADB RESPONSE TO REFTEL CONCERNING MONITORING OF CASH FLOW OF  
LOANS (DISBURSEMENTS) IS BEING PROVIDED IN TWO PARTS. THIS  
TELEGRAM CONTAINS DESCRIPTION OF PRACTICES AND  
PROCEDURES FOLLOWED BY BANK IN MONITORING AND CONTROLLING  
CASH FLOW OF LOAN PROCEEDS. (FLOW CHARTS ILLUSTRATING  
DISBURSEMENT PROCEDURES BEING POUCHED MARCH 14.) SEPTTEL FOLLOWS  
WHICH PROVIDES IN CONDENSED WAY ANSWERS TO SPECIFIC  
QUESTIONS RAISED IN PARA. 2 OF REFTEL.

BANK MONITORING OF CASH FLOW OF LOAN

1. PROJECT COMPONENTS DESCRIBED IN APPRAISAL REPORT:  
DETAILED DESCRIPTION OF THE PROJECT IS CONTAINED IN THE  
APPRAISAL REPORT, INCLUDING ESTIMATED COSTS OF VARIOUS  
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PROJECT COMPONENTS.

2. SPECIFIC ALLOCATION OF LOAN PROCEEDS: SIDE LETTER  
NO. 1 OF THE LOAN AGREEMENT PROVIDES SPECIFIC ALLOCATION  
OF LOAN PROCEEDS BY CATEGORY OF EXPENDITURES. DISBURSE-  
MENTS AGAINST THE LOAN WILL BE LIMITED TO THE AMOUNT  
ALLOCATED FOR EACH CATEGORYGZ HOWEVER, REALLOCATION

FROM ONE CATEGORY TO ANOTHER MAY BE DONE WITH THE APPROVAL OF THE BANK, WHENEVER NECESSARY.

3. LIST OF GOODS AND CONTRACT PACKAGES APPROVED BY BANK: PRIOR TO COMMENCEMENT OF PROCUREMENT, BANK REVIEWS AND APPROVES LIST OF GOODS TO BE PROCURED, INCLUDING GROUPING OF THESE GOODS INTO ECONOMICAL BID PACKAGES.

4. REVIEW OF PROCUREMENT DOCUMENTS AND PROCEDURES: PROCEDURES FOR CALLING, SUBMISSION, AND EVALUATION OF BIDS ARE AGREED UPON IN THE LOAN DOCUMENTS TO INSURE ECONOMY AND EFFICIENCY AND PROPER UTILIZATION OF LOAN PROCEEDS. BANK REVIEWS BORROWER'S ACTION TO SEE IF THESE PROCEDURES WERE FOLLOWED. BANK ALSO APPROVES DRAFT TENDER AND CONTRACT DOCUMENTS BEFORE ISSUE.

5. APPROVAL OF CONTRACT: BANK REVIEWS BID EVALUATION REPORT AND IF IN ORDER, PROPOSED CONTRACT AWARD IS APPROVED. USUALLY, BANK APPROVES CONTRACT BEFORE AWARD IS MADE; IN SMALL CONTRACTS, HOWEVER, CONTRACTS ARE REVIEWED EX-POST FACTO. CONTRACT MUST CONFORM TO CATEGORY ALLOCATION, APPROVED LISTING OF GOODS AND APPROVED DRAFT CONTRACT.

6. PROCESSING OF WITHDRAWAL APPLICATIONS: APPLICATION IS PROCESSED BY CONTROLLER'S DEPARTMENT. PAYMENT REQUESTED IS CHECKED FOR CONFORMITY TO: SPECIFIC CATEGORY ALLOCATION, LETTER OF COMMITMENT, IF ANY, AND LIMITED OFFICIAL USE

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APPROVED CONTRACT (DESCRIPTION OF GOODS AS WELL AS PAYMENT TERMS). SUPPORTING DOCUMENTS (INVOICES, BILLS OF LADING, EVIDENCES OF PAYMENTS, PROGRESS REPORTS, CERTIFICATES OF ORIGIN, ETC.) ARE REQUIRED. IN SOME CASES, INSPECTION REPORTS AND RESULTS OF TESTS DURING MANUFACTURE ARE ALSO REQUIRED.

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EB-08 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01  
NSC-05 SS-15 STR-04 CEA-01 IO-13 /094 W  
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USADB

PASS TREASURY FOR ZINMAN

7. DISBURSEMENT: PAYMENT AS APPLIED FOR AND AUTHORIZED  
IS MADE TO APPROPRIATE PARTY FOR ACCOUNT OF BORROWER  
DEPENDING ON PROCEDURE# OF PAYMENT AGREED UPON:

DIRECT PAYMENT - PAYMENT DIRECT TO SUPPLIER  
PROCEDURE  
REIMBURSEMENT - PAYMENT TO BORROWER'S  
PROCEDURE ACCOUNT IN BORROWER'S BANK  
COMMITMENT - PAYMENT TO NEGOTIATING BANK  
PROCEDURE

(#NOTE: FLOW CHARTS FOR EACH DISBURSEMENT PROCEDURE  
BEING POUCHED MARCH 14.)

8. PHYSICAL VERIFICATION OF ITEMS PURCHASED, WORK DONE:  
BANK MISSION CHECKS IN THE FIELD ITEMS PROCURED OR WORK  
DONE FOR WHICH PAYMENT HAS BEEN MADE. ACTUAL USE OF  
ITEMS IS ALSO VERIFIED. PROJECT RECORDS ARE ALSO  
EXAMINED IN THIS REGARD.  
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9. BANK'S INTERNAL AUDIT: IN FURTHER CONTROL OF THE CASH  
FLOW OF LOANS, THE BANK'S INTERNAL AUDIT FUNCTION (WHICH  
IS CONFINED TO DOCUMENTS/INFORMATION PROCURABLE AT  
HEADQUARTERS) SELECTS A NUMBER OF LOANS FOR POST AUDIT  
ACCORDING TO CRITERIA SUCH AS RATION OF DISBURSEMENTS  
TO DATE TO TOTAL LOAN AMOUNT; GEOGRAPHICAL SPREAD; ETC.  
IN ESSENCE, THE AUDIT CONSISTS OF VERIFYING (1) THAT  
LOAN DISBURSEMENTS ARE PROPER UNDER THE BANK'S GENERAL  
POLICIES, AND (2) THAT FORMAL REQUIREMENTS SUCH AS  
COMPLETENESS OF DOCUMENTATION; AUTHORIZING SIGNATURES;  
CHOICE OF DISBURSEMENT PROCEDURE; ETC. HAVE BEEN

PROPERLY COMPLIED WITH.  
SULLIVAN

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## Message Attributes

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**Litigation History:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Review Release Event:** n/a  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009